



GLOBAL PRESENCE - LOCAL EXCELLENCE

Asia-Pacific Region



Doing Business in

Singapore

May 2011

Contents

- 2 Introduction
- 2 About JHI
- 3 JHI in Singapore
- 4 Key Facts
- 6 Establishing a Business in Singapore
- 8 Taxation in Singapore
- 14 Immigration to Singapore
- 15 Employment in Singapore
- 16 Foreign Investment

Introduction

A strategic base to the emerging Asian markets, Singapore is a premier starting point for companies seeking business development in the region. With excellent infrastructure, a skilled workforce and an extensive trade network with other economies, Singapore can effectively connect any investor to the world, opening new business opportunities for the investor.

This guide has been prepared for companies and individuals interested in doing business in Singapore. It outlines key facts on Singapore's economy, business infrastructure, laws and taxation. It is not exhaustive but is intended to answer some of the important, broad questions that may arise. It is recommended that readers refer to the laws and regulations of Singapore and to obtain professional advice prior to making any decision.

About JHI

JHI is a flourishing worldwide network of approximately 130 member firms in 55 countries. The largest association of its kind, JHI exists to enhance the ability of member firms and their clients to drive business locally and internationally through a variety of distinctive programs and services.

Its members are respected leaders, offering a broad range of accounting, auditing and management consultancy services in every business sector. They play key roles in setting the course for the profession. This extends to JHI members who serve in leading positions with worldwide bodies such as the Forum of Firms, an organization of international firms that perform audits of financial statements that are, or may be, used across national borders. Potential new members are subject to a rigorous selection process based on criteria including the quality of practice, reputation and geographical location.



GLOBAL PRESENCE - LOCAL EXCELLENCE

Doing Business in Singapore



JHI in Singapore

Kong, Lim & Partners

13A MacKenzie Road
Singapore 228676

Tel: 65 6227 4180

Fax: 65 6324 0213

E-mail: ysl@internalaudit.com.sg

Contact Partner: Lim Yeong Seng

H. T. Khoo & Company

100 Beach Road
#24-01/02/03 Shaw Tower
Singapore 189702

Tel: 65 6536 9978

Fax: 65 6536 6209

E-mail: htkhoo@jhikhoo.com

Contact Partner: Ho Tong Khoo

Doing Business in Singapore



Key Facts

Population: 4.98 million
Chinese (75%), Malay (14%), Indian (8%) and Others (3%)

Currency: Singapore dollar (S\$ or SGD)
S\$1 = 100 cents.

Dialling Code: +65

Language: English, Malay, Chinese (Mandarin) and Tamil. English is the language of administration and commerce, while Malay is the national language.

Fiscal Year: 1 Apr - 31 Mar

Time Zone: GMT +8 hours and +13 hours US Eastern Standard Time

Business Hours: From 8.30 am/9.00 am to 5.00 pm/6.00 pm Monday to Friday, and until 1.00 pm on Saturdays.

Banking Hours: From 9.30 am to 3.00 pm on weekdays and 9.30 am to 11.30 am on Saturdays.

Geography and Climate

The Republic of Singapore is located 137km north of the equator. It comprises the main Singapore island and about 60 islets. It is separated from Peninsular Malaysia by the Straits of Johor and from the islands of Indonesia by the Straits of Singapore. Strategically located at the southernmost tip of the Asian continent and at the crossroads of the world's global trading centres and in the heart of Asia, Singapore acts as a link to the emerging markets of China, India and Southeast Asia.

Singapore is an equatorial country characterized by uniform high temperatures, humidity and abundant rainfall. Daily temperatures range from 24°C - 31°C. Rain falls throughout the year but tends to be heaviest from November to January. Thunderstorms are frequent during the inter-monsoon months of April to May and October to November. February is usually the sunniest month; December is often the month with the least sunshine.

Doing Business in Singapore

Political and Legal System

The Republic of Singapore is a social-democratic city-state. It is rated as the safest country in Asia; Singapore has a parliamentary system based on the British model. The pillars of state comprise:

The Executive: Head of State and Head of Cabinet

The President who is the Head of State is elected for a fixed term of 6 years. The President is elected by the people and is empowered to veto government budgets and appointments to public office. The Cabinet is led by the Prime Minister, is responsible for the general direction and control of the Government, and is accountable to Parliament.

Legislature

The Legislature comprises the President and Parliament and is the legislative authority responsible for enacting

legislation. Parliament is elected by general election every 5 years. Legislation enacted through Bills is passed by Parliament and is assented to by the President.

The Judiciary: The Supreme Court and the Subordinate Courts

The Judiciary is one of the three constitutional pillars of government along with the Legislature and the Executive. The Supreme Court comprises the Court of Appeal and the High Court. The Subordinate Court comprises several courts including the Small Claims Tribunal and courts for industrial arbitration and the military. The head of the Judiciary is the Chief Justice.

Economy

Singapore is the most developed country in South East Asia. It is an advanced, successful free-market economy, featuring an open and corruption-free environment. Its pro-business environment together with an extensive trade network with other economies, excellent infrastructure boosts and sustains growth and success in a myriad of industries. A strategic base to the emerging Asian markets through its geographical position, efficient and educated workforce and stable political situation,

Singapore is indeed a premier starting point for companies seeking business development in the region.

Singapore consistently scores well in global and regional rankings for factors that matter to businesses. In a World Bank report, Doing Business in 2011, Singapore was top in ease of doing business in Asia. (See Table below)

Rank	Doing Business 2011	Rank	Doing Business 2011	
	Ease of Doing Business	1	Protecting Investors	2
	Starting a Business	4	Paying Taxes	4
	Dealing with Construction Permits	2	Trading Across Borders	1
	Employing Workers	1	Enforcing Contracts	13
	Registering Property	15	Closing a Business	2
	Getting Credit	6		

Source: www.doingbusiness.org/Documents/CountryProfiles/SGP

Doing Business in Singapore



Establishing a business in Singapore

Introduction

A number of types of business entities are possible. All entities must be registered with the Accounting and Corporate Regulatory Authority (ACRA). In summary, the

different types of key business entities and their key differentiating features are as follows:

Sole Proprietorships

Any individual who is a Singaporean or Singaporean PR may start his own business by registering with the Registrar under the Business Registration Act. Before a

business can be registered, the applicant (the sole proprietor) must apply to the Registry to ensure that the proposed name is available.

Partnerships

Two or more persons (up to a maximum 20) who combine some or all their resources, skill or industry with the object of making a profit, may enter into a

partnership. The profit will be shared by all the partners. All the partners are also personally liable for the debts and obligations of the partnership.

Limited Partnerships (LP)

A limited partnership consists of general partner(s) and limited partner(s). There is no limit on the number of partners.

A general partner, who may be either a corporation or an individual, will be personally liable for all the debts and

liabilities while he/she/it remains a general partner. Meanwhile, a limited partner will not be liable for the debts and other liabilities of the partnership beyond the amount of his/her agreed contribution.

Doing Business in Singapore

Limited Liability Partnerships (LLPs)

LLPs give owners the flexibility of operating as a partnership whilst giving them limited liability. It combines the benefits of a partnership with those of private limited companies. Liability of the partners are limited to the amount they contributed to the LLP. The

partners are not personally liable to the obligations of the LLP. A partner is personally liable for claims from losses resulting from his/her own negligence or wrongful act, which will not affect any other partners.

Private Companies Limited by Shares

The shareholders cannot be held personally liable for the debts of Limited Companies, with their liability limited to the amount of shares that have been issued to them,

which they have not fully paid for. The number of shareholders is limited to fifty or less.

Public Companies Companies Limited by Share

The number of shareholders can be more than fifty members and the company may raise capital by offering shares and debentures to the public. A public company

must register prospectus with ACRA before making any public offer of shares and debentures.

Public Companies Companies Limited by Guarantee

Companies limited by guarantee are usually formed for non-profit making purpose. This type of company is more commonly used for trade associations, charitable bodies,

clubs, professional and learned societies, some religious bodies and the like, rather than commercial undertakings.

Doing Business in Singapore



Taxation in Singapore

The Singapore tax system is territorial. Income tax is levied on the income of companies, individuals and property. Income accrued in or derived from Singapore

and foreign income received from outside Singapore is subject to tax.

Individual Income Tax Rates

Individuals (residents and non-resident), whether citizens or non-citizens are liable to income tax in respect of income accruing in, or derived from

Singapore. Foreign sourced income received by an individual in Singapore from outside the country is exempt from tax.

Residence

An individual would be treated as a resident for Singapore tax purposes if he normally resides in Singapore except for temporary absences or if he is

physically present or exercises an employment in Singapore for 183 days or more in a calendar year.

Resident individual tax rates for 2011

Chargeable Income	Rate (%)	Gross Tax Payable(\$)
First \$20,000	0	0
Next \$10,000	2	200
First \$30,000	-	200
Next \$10,000	3.50	350
First \$40,000	-	550
Next \$40,000	7	2 800
First \$80,000	-	3 350
Next \$40,000	11.50	4 600
First \$120,000	-	7 950
Next \$40,000	15	6 000
First \$160,000	-	13 950
Above \$40,000	17	6 800
First \$200,000	-	20 750
Above \$120,000	18	21 600
First \$320,000	-	42 350
Above \$320,000	20	

Doing Business in Singapore

Resident individual tax rates for 2011

Type of Income	Rate (%)
Director's Remuneration	20
Entertainer's professional income	15
Other professional income ¹	15
Employee's remuneration (However, where the tax calculated on resident rates is higher, the resident rates are used)	15
Short-term employee's remuneration ² (Not more than 60 days)	Nil
Other income (Where not specifically exempt)	20

¹ Non-resident taxpayer may make an irrevocable option to be taxed at 20% of net income.

² Not available to company directors and entertainers.

Corporate Income Tax Rates

The Corporate Tax Rate (resident and non-resident) is 17% for the Year of Assessment 2011.

Tax exemption for resident and non-resident companies

Companies (resident and non-resident) are subject to corporate tax rates after partial tax exemption on their normal chargeable income up to \$300,000 (effective from YA 2008) as follows:

- i Up to the first \$10,000 of such income, 75% of the income or an amount to \$7,500 shall be exempt from tax
- ii Up to the next \$290,000 of such income, 50% of the income or an amount up to \$145,000 shall be exempt from tax

Newly incorporated companies may claim a full tax exemption on the first \$ 100,000 of chargeable income in each of its first three years of assessment subject to meeting certain specified criteria.

To qualify for the tax exemption for new start-up companies, the company must:

- a) be incorporated in Singapore (WEF from 2010, companies limited by guarantee are subject to the same conditions imposed on companies limited by shares);
- b) be a tax resident in Singapore for that YA;
- c) have no more than 20 shareholders throughout the basis period for that YA where:
 - i) all of the shareholders are individuals beneficially holding the shares in their own names; OR
 - ii) at least one shareholder is an individual beneficially holding at least 10% of the issued ordinary shares of the company.

Carry Forward

Losses incurred can be carried forward indefinitely subject to continuity of substantial ownership. (>50%)

Carry Back

A person carrying on a trade, business, profession or vocation may carry back qualifying loss and capital

allowance of up to \$100,000 for one YA immediately preceding the YA of loss.

Withholding Tax

A non-resident is liable to pay income tax on Singapore-sourced income. Under the law, when a person makes payment of a specified nature to a non-resident, he has

to withhold a percentage of that payment and pay the amount withheld to IRAS. The amount withheld is called the withholding tax. The rates vary from 10%-20%

Goods and Service Tax

Goods and Services Tax (GST) is similar to Valued Added Tax (VAT) in other countries. The introduction of GST is seen as a means to lower personal and corporate income tax rates while maintaining a steady revenue base for the government.

GST is an indirect tax, applied to the selling price of goods and services provided by GST registered business entities in Singapore. The current rate of GST is 7%.

Registering for GST is compulsory when:

a) the turnover of your business is more than 1 million

SGD for the past 12 months - known as the retrospective basis OR

b) you are currently making sales and you can reasonably expect the turnover of your business to exceed 1 million SGD for the next 12 months - known as the prospective basis.

Failing to register for GST will attract penalties. There are anti-avoidance provisions to ensure that entities are not established merely to keep turnovers less than the threshold and thereby avoid registration.

Doing Business in Singapore

Other Taxes

Property Tax

Property tax is levied on immovable property. The annual tax payable is computed as a percentage applied to the annual value, which is the gross amount for which the property is expected to be let from year to year. The property tax rate on industrial, commercial and let out residential properties is 10% of the annual value, which is the expected gross annual rent. Properties occupied by individual owners enjoy a concessionary tax rate of 4%.

Effective 1 January 2011, there will be three tiers of tax rates for residential properties granted owner-occupier. This three-tier tax rate will replace the flat 4 % tax rate as follows:

Annual Values	Tax Rate
First \$ 6,000	0%
Next \$ 59,000	4%
Above \$60,000	6%

Stamp Duty

Stamp duty is payable on all instruments relating to the conveyance, assignment or transfer of stocks and shares in Singapore companies and immovable properties in Singapore.

Stamp duty rates	
Transfer of shares	0.2%
Transfer of real property on 1st \$180,000	1%
on next \$180,00	2%
over \$360,000	3%

Seller's Stamp rates for residential property purchased on or after 14 January 2011 and disposed within 4 years:	
Within 1 year	16%
Within 1-2 years	12%
Within 2-3 years	8%
Within 3-4 years	7%

Double Taxation Agreement (DTA)

Singapore has inked over 60 comprehensive DTAs and limited treaties with other countries. Under Singapore rules, a foreign tax credit is limited to the lower of the foreign tax paid and the Singapore tax payable on that income. The credit is generally granted on a country-by-

country, source-by-source basis. A unilateral tax credit system, similar to treaty relief, is also available for all foreign-sourced income remitted to Singapore from non-DTA countries.

Labour Availability

Singapore's highly educated and skilled workforce is geared to support its knowledge driven and capital-intensive economy. Singapore also has an open

immigration policy which gives companies the opportunity to source for the best personnel from anywhere in the world.

Social Security

Singapore does not have a general social security system. However, Singapore has a statutory savings scheme called The Central Provident Fund (CPF). Both employers and employees who are Singapore citizens

and permanent residents working in Singapore are required to contribute to the CPF. Foreigners are exempt from CPF contributions.

Foreign Exchange Controls

Singapore does not impose any restrictions in or outside of Singapore.

Import Regulations

In general, non-controlled goods may be imported into Singapore without the need for licenses. The import of certain goods into Singapore is subject to control by the relevant authorities while the import of certain other

goods is strictly prohibited. Traders of such controlled goods must have the necessary licenses before they can import the goods.

Taxes Exempt in Singapore

Gift tax

There is no gift tax in Singapore.

Estate tax

Estate duty has been abolished for deaths occurring on and after 15 February 2008.

Capital Gains tax

There is no capital gains tax in Singapore.

Fringe Benefits Tax

There is no fringe benefits tax in Singapore.



GLOBAL PRESENCE - LOCAL EXCELLENCE

Doing Business in Singapore

Dividends

Foreign sourced dividends, foreign branch profits and foreign-sourced service income received in Singapore by person resident in Singapore is exempt from income tax if the following conditions are met:

- a) the income is subject to some form of income tax in the foreign country;
- b) the income is remitted from a country with a headline tax rate of not less than 15%; and
- c) the Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the person resident in Singapore.

Doing Business in Singapore



Immigration to Singapore

Singapore is one of the most welcoming cities in Asia for expatriates. It is safe and orderly with clean and green surroundings. Living standards are high with excellent facilities for shopping, sports and recreation.

A recent global migration survey by Gallup reveals that Singapore has the highest potential for immigration in the world. Singapore has the least restrictive immigration policies. Singapore's immigration laws for foreign talent are the least restrictive in the world. Singapore is also one of the few countries that encourage foreign professionals to become Singapore Permanent Residents or Singapore citizens.

By adopting an open immigration policy, Singapore retains its advantage in the new global economy and continues to attract highly talented individuals from developed and

developing countries within and outside Asia. Singapore is the hub of skill and talent in Asia. The Singaporean enterprise economy, pro-business political environment, extensive incentives and highly developed infrastructure provide for a professional environment conducive to business growth and professionals to flourish.

Singapore's open immigration policy coupled with quick processing of employment passes and stay permits makes immigrating to Singapore easy and quick. With an open Immigration policy, the Government of Singapore believes that human resource is the most important catalyst in Economic growth. Singapore Immigration Policy encourages the Immigration of 'Foreign Talent' into the country.



GLOBAL PRESENCE - LOCAL EXCELLENCE

Doing Business in Singapore



Employment in Singapore

Well-qualified foreigners face little difficulty in obtaining employment in Singapore as its main economic strategy is based on being home to a highly skilled workforce. It is focused on developing the nation as a 'talent capital'. Liberalized immigration policies enable skilled immigrants to gain permanent residency, in addition there are various programs aimed at attracting talent, such as company grant

schemes to ease costs of employing foreign skilled labor and recruitment missions by government agencies.

Singapore is the least bureaucratic place for doing business in Asia and the first choice for Asian expatriates.

Doing Business in Singapore



Foreign Investment

Singapore welcomes foreign investment and virtually all business sectors are open to investors. Singapore's pro-business policies make it easy for foreign investors to do business in Singapore. Generally, all businesses are able to apply for various types of incentives in the form of grants, tax incentives, etc. subject to meeting

certain qualifying conditions. Specific incentives of a varying nature are also available to encourage the development of certain industries.

An investor can enter and re-enter the country with relative ease in the following ways:

Global Investor Programme (GIP)

The Global Investor Programme (GIP) is an initiative by Economic Development Board (EDB) to assist foreign investors and entrepreneurs to set up business in Singapore. It provides links to local business networks and a range of immigration facilitations.

Foreign investors with substantial capital, qualifications and good entrepreneurial track records can apply for permanent residence under the 'Global Investor Program'. Under the Global Investor Programme (GIP) administered by the Economic Development Board (EDB), foreigners can be considered for Permanent Resident (PR) status if they invest a certain minimum sum in business set-ups and/or

other investment vehicles such as venture capital funds, foundations or trusts that focus on economic development.

Private residential properties investment will be considered for application for Permanent Resident application. A foreigner can be considered for PR status if he invests at least S\$2 million in business set-ups, other investment vehicles such as venture capital funds, foundations or trusts, and/or private residential properties. Up to 50% of the investment can be in private residential properties, subject to foreign ownership restrictions under the Residential Property Act (RPA).

Multiple Journey Visa

Multiple Journey visa facilitates the frequent entry of business executives from visa-requiring countries into Singapore. Multiple visits, each lasting up to 30 days, are allowed during the validity period of the visa which may be for 1, 2 or 5 years depending on the prevailing ICA's guidelines. The application has to be submitted

along with a Letter of Introduction from a Singapore Registered company. This eliminates the Visa application for each visit. This will be of immense relief to investors who have to travel frequently to Singapore to attend to their business and investments.



GLOBAL PRESENCE - LOCAL EXCELLENCE

Doing Business in Singapore

EntrePass

The EntrePass is designed to facilitate the entry and stay of entrepreneurs who will be actively involved in the starting up and operation of the company in Singapore. The EntrePass has an initial validity period of up to 2 years and will be issued upon the submission of a sound

business proposal. The EntrePass also allows your immediate family to live in Singapore while you start and grow your business here. With the EntrePass, you may leave and re-enter Singapore frequently with ease. It is renewable for as long as the business remains viable.